

Message Text

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ACTION EUR-25

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FM AMEMBASSY MOSCOW

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INFO AMEMBASSY BELGRADE

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AMEMBASSY BUDAPEST

AMCONSUL LENINGRAD

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USMISSION NATO

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E.O. 11652: N/A

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SUBJECT: MINISTER CALLS FOR WIDE-RANGING MANAGERIAL CHANGES
IN SOVIET ECONOMY

REF: MOSCOW A-147, 4/30/74

1. SUMMARY: EMBASSY WISHES TO DRAW DEPARTMENT'S ATTENTION
TO AUTHORITATIVE AND IMPORTANT ARTICLE BY K.N. RUDNEV, MINISTER
OF INSTRUMENT MAKING, MEANS OF AUTOMATION AND CONTROL SYSTEMS,
ENTITLED "TO PERFECT THE SYSTEMS OF MANAGEMENT." IN ARTICLE
RUDNEV CALLS FOR SWEEPING CHANGES IN AREAS OF PLANNING AND
FINANCE, WHICH, IF IMPLEMENTED, WOULD RESULT IN SIGNIFICANT
DE-CENTRALIZATION OF DECISION-MAKING AUTHORITY AWAY FROM
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PLANNING AND FINANCIAL ORGANS. AMONG OTHER THINGS, RUDNEV

CALLS FOR DIRECT PARTICIPATION BY INDUSTRIAL MINISTRIES IN
DISTRIBUTION AND SALE OF GOODS ON EXPORT MARKET. END SUMMARY

2. WRITING IN AUGUST 15 TRUD, MINISTER RUDNEV ASSERTS THAT
TIME HAS COME TO PROVIDE REAL INDEPENDENCE TO INDUSTRIAL
MINISTRIES, WHO AT PRESENT HAVE LITTLE CONTROL OVER THEIR
DESTINIES. WHAT RUDNEV IS ADVOCATING AMOUNTS ESSENTIALLY TO
AUTONOMY FOR MINISTRIES WITHIN VERY LOOSE LONG-TERM PLANNING
GUIDELINES (NORMATIVY) ESTABLISHED BY HIGHER PLANNING ORGANS
(I.E., USSR GOSPLAN). COUNTRY MUST GET AWAY FROM THE "PETTY
GUARDIANSHIP" (MELOCHNAYA OPYEKA) EXERTED OVER MINISTRIES BY
GOSPLAN, GOSBANK, AND OTHERS, HE ASSERTS. ON FINANCIAL SIDE,
MINISTRIES SHOULD BE TOTALLY INDEPENDENT (POLNIY KHOZRACHYOT
I SAMOOKUPAYEMOST'), RESPONSIBLE TO STATE BUDGET FOR DEFICITS
CAUSED BY UNDERFULFILLMENT OF PLANNED REVENUES BUT ALLOWED
TO RETAIN SURPLUSIS FOR OWN USES.

3. SPECIFIC MEASURES ADVOCATED BY RUDNEV INCLUDE:

A. PLANNING INDEPENDENCE - APPLICATION OF LONG-
TERM (FIVE YEAR AND LONGER) PERFORMANCE GUIDELINES TO
MINISTRIES, WHO WOULD THEN HAVE COMPLETE AUTHORITY TO ACT
WITHIN THEM ON YEAR-TO-YEAR BASIS. SUCH INDICES WOULD
INCLUDE: GROWTH RATES, WAGES, LEVEL OF PAYMENTS INTO STATE
TREASURY FROM PLANNED PROFITS, ETC. IN GENERAL,
RUDNEV FEELS THAT NUMBER OF SUCH GUIDELINES FROM ABOVE SHOULD
BE KEPT TO MINIMUM.

B. FINANCE - FULL SELF-SUFFICIENCY WITHIN INDUSTRIAL
BRANCHES (I.E., MINISTRIES) IS ADVOCATED BY RUDNEV. ALL
INDUSTRIAL DEVELOPMENT, NOT TO MENTION DAY-TO-DAY PRODUCTION
ACTIVITIES, SHOULD BE FINANCED WHOLLY THROUGH INCOME GENERATED
WITHIN THE BRANCH (PLANNED PROFITS, AMORTIZATION FUNDS, ETC.)
WITH NO INJECTIONS OUT OF CENTRAL BUDGET. FURTHER, INDUSTRIAL
MINISTRIES SHOULD GUARANTEE TO PROVIDE SET AMOUNT ANNUALLY TO
TREASURY FROM PLANNED PROFITS OF ENTERPRISES AND ASSOCIATIONS
WITHIN BRANCH. IF PLANNED GOALS NOT MET, FUNDS WOULD BE
DIVERTED FROM OTHER USES TO MEET THIS OBLIGATION. AT SAME
TIME, SAYS RUDNEV, MINISTRIES SHOULD HAVE RIGHT TO KEEP FOR
THEMSELVES ANYTHING LEFT OVER AFTER OBLIGATION TO STATE IS
MET. THIS COMBINATION OF FINANCIAL MEASURES, HE ASSERTS,
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WILL HAVE EFFECT OF STIMULATING INCREASED EFFICIENCY, ECONOMIES
OF SCALE, LABOR PRODUCTIVITY, ETC., WITHIN
INDIVIDUAL SECTORS OF ECONOMY.

C. DE-CENTRALIZING INCENTIVE FUNDS - INSTEAD OF EXISTING
SYSTEM WHICH USES VARIOUS CENTRALIZED FUNDS FOR ECONOMY AS
WHOLE TO STIMULATE GROWTH IN PRODUCTION, RUDNEV PRESSES FOR
CONDITIONS WHICH WOULD PERMIT EACH MINISTRY TO ADMINISTER AND

COMPLETELY CONTROL ITS OWN FINANCIAL RESOURCES AND
INCENTIVE FUNDS.

D. GENERALLY EXPANDED ROLES FOR MINISTRIES -RUDNEV WANTS
CLEAR DIVISION OF FUNCTIONS BETWEEN CENTRAL PLANNING ORGANS
AND INDIVIDUAL INDUSTRIAL MINISTRIES, BOTH TO ELIMINATE
DUPLICATION OF EFFORT AND, MORE IMPORTANTLY, TO ALLOW MINISTRIES
TO DEAL WITH THEIR OWN OPERATIONAL AND POLICY QUESTIONS.
(AT PRESENT, STATES RUDNEV, ACTIVITIES OF MINISTRIES ARE
ESSENTIALLY ADMINISTRATIVE, NOT SUBSTANTIVE.) IN THIS
CONTEXT, RUDNEV CALLS FOR DIRECT PARTICIPATION BY MINISTRIES
IN DISTRIBUTION AND SALE OF THEIR PRODUCTION IN DOMESTIC AND
IN FOREIGN MARKETS.

4. COMMENT: COMING FROM ANYONE, SUCH AN ARTICLE WOULD BE
OF INTEREST. SIGNED BY RUDNEV, WHO IS FULL CENTRAL COMMITTEE
MEMBER, IT ACQUIRES MUCH GREATER AUTHORITY. BEYOND THAT, HIS
MINISTRY HAS LONG BEEN HELD UP IN THE PRESS AS MODEL OTHER
INDUSTRIAL MINISTRIES SHOULD EMULATE (FIRST TO ACHIEVE FULL
FINANCIAL SELF-SUFFICIENCY; FIRST TO ORGANIZE PRODUCTION
ASSOCIATIONS; FIRST TO TOTALLY ELIMINATE GLAVKI; ETC.).

5. HAVING APPEARED IN TRUD RATHER THAN PRAVDA OR IZVESTIYA,
ARTICLE WOULD APPEAR TO BE MORE A TRIAL BALLOON THAN PRECURSOR
OF UPCOMING POLICY CHANGES. POLICY DEBATES REGARDING GREATER
AUTONOMY FOR MINISTRIES ARE KNOWN TO HAVE BEEN TAKING PLACE FOR
MANY MONTHS(SEE REFAIR), BUT THIS IS FIRST TIME EMBASSY HAS
NOTED IN PRINT SUCH BOLD ADVOCACY OF WHAT BY SOVIET STANDARDS
AMOUNTS TO MAJOR STRUCTURAL CHANGES. OF PERHAPS GREATEST
INTEREST IS RUDNEV'S ADVOCACY THAT MINISTRIES TAKE
RESPONSIBILITIES FOR SALE AND DISTRIBUTION OF PRODUCTS TO
EXPORT MARKET.

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